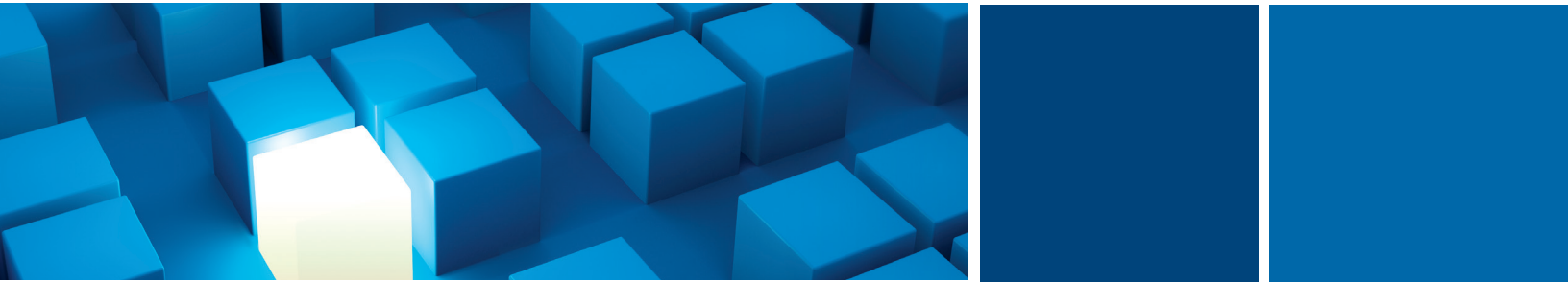


2 August 2023



Recent Trends in Securities Class Action Litigation: H1 2023 Update

Filings Are on Track to be Above 2022 Levels

Resolutions Slowed in H1 2023

By Edward Flores and Svetlana Starykh

Summary

During the first half of 2023, 118 new federal securities class action cases were filed. Standard cases, which contain alleged violations of Rule 10b-5, Section 11, and/or Section 12, accounted for most new filings with 105. Merger-objection and crypto unregistered securities cases have remained flat relative to 2022, with four and eight cases filed, respectively. Assuming filings continue at the same pace in the second half of 2023, annual filings for 2023 will be 236, which would represent a 15% increase relative to 2022.

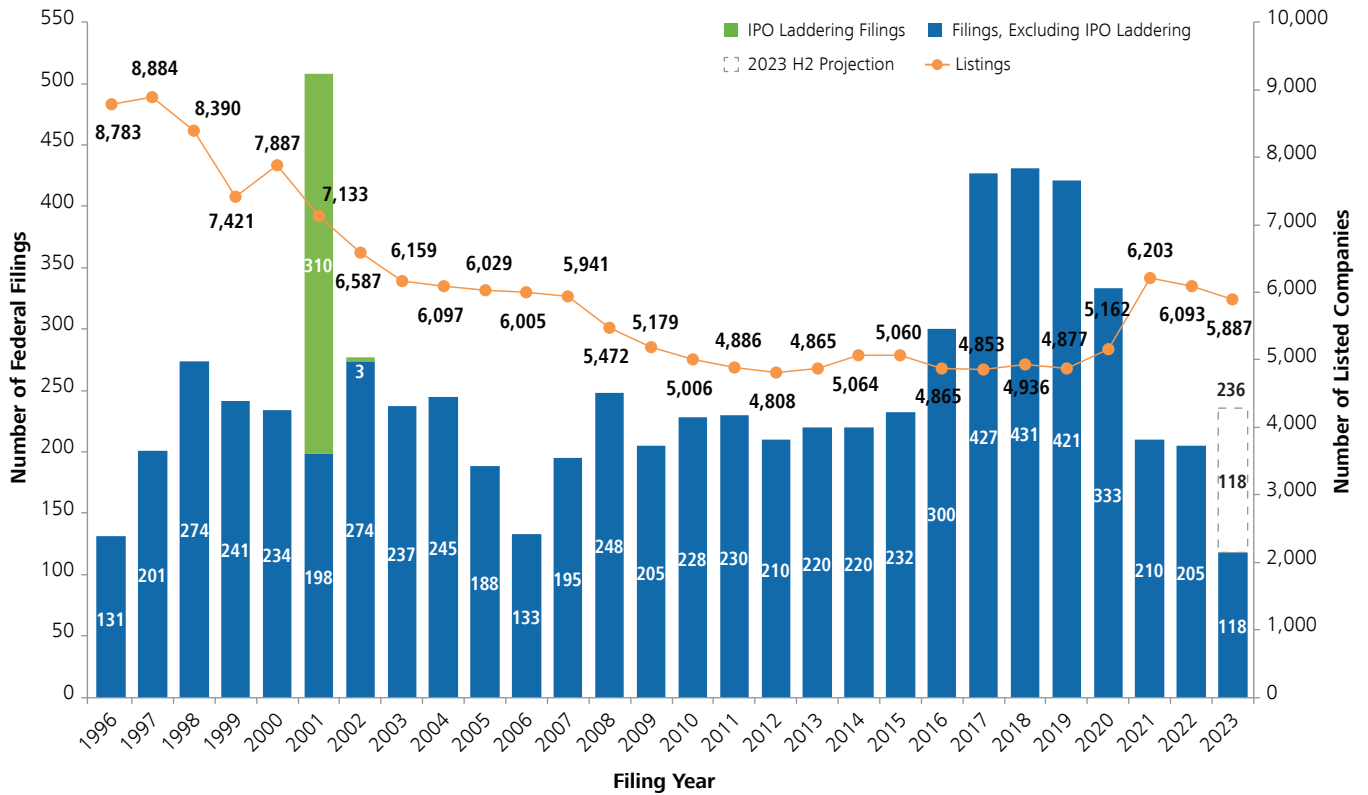
Excluding merger-objection and crypto unregistered securities cases, the electronic technology and technology services sector accounted for 23% of new filings, the largest proportion of any sector. The finance sector accounted for 22% of new filings, nearly triple the percentage relative to 2022. On the other hand, the percentage of suits in the health technology and services sector declined by half to 13%, partially driven by a decline in COVID-19-related suits filed. The Second, Third, and Ninth Circuits continue to be the jurisdictions with the most cases filed, each accounting for 27, 16, and 33 filings, respectively. There were 11 cases filed in the Eleventh Circuit, marking a 5-year high.

Among filings of standard cases, 32% included an allegation related to misled future performance and 29% included an allegation related to regulatory issues. Meanwhile, the percentage of standard cases containing an allegation related to merger-integration issues declined by half to 8%, partially driven by a decline in SPAC-related filings.

There were 76 cases resolved in the first half of 2023, of which 41 were dismissed and 35 were settled. Assuming resolutions continue at this pace for the rest of the year, the number of resolved cases for 2023 will be 152, which would mark the lowest recorded level in the past 10 years and a decline of 29% relative to 2022. The decline in resolutions is seen across all categories of dismissed and settled cases.

For cases settled in the first six months of 2023, the average settlement value was \$21 million, a 47% decrease compared to the 2022 inflation-adjusted average settlement value of \$39 million. The median settlement value was \$16 million, a \$3 million increase from the 2022 inflation-adjusted median settlement value of \$13 million. The shift in 2023 average and median settlement values relative to 2022 is driven in part by a decrease in the percentage of settlements between \$10 and \$19.9 million, a substantial increase in the percentage of settlements between \$20 to \$49.9 million, and a decrease in the percentage of settlements greater than \$50 million.

Figure 1. **Federal Filings and Number of Companies Listed in the United States**
 January 1996–June 2023



Note: Listed companies include those listed on the NYSE and Nasdaq. Listings data obtained from World Federation of Exchanges (WFE). The 2023 listings data is as of June 2023.

Figure 2. **Federal Filings by Type**
January 2014–June 2023

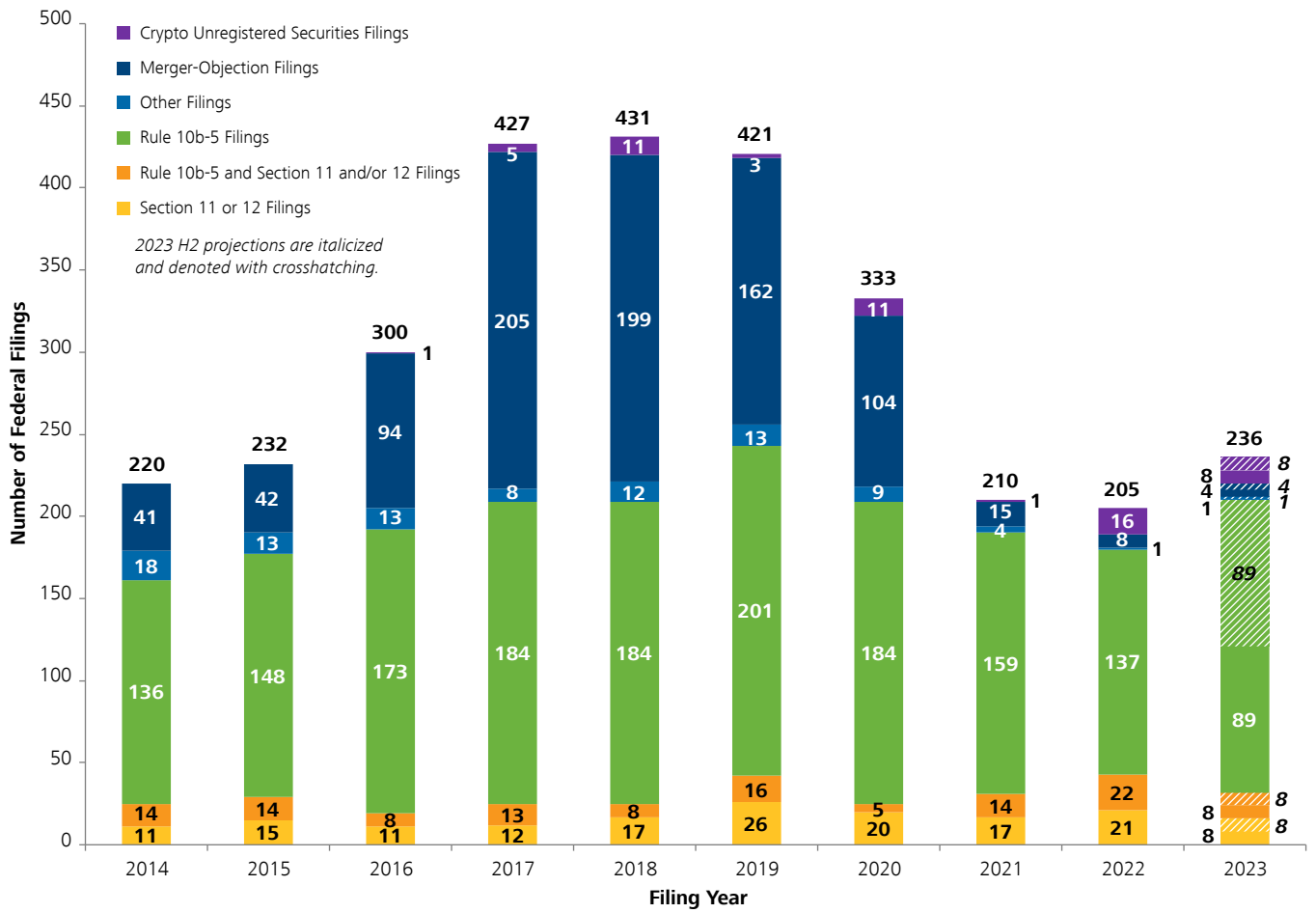
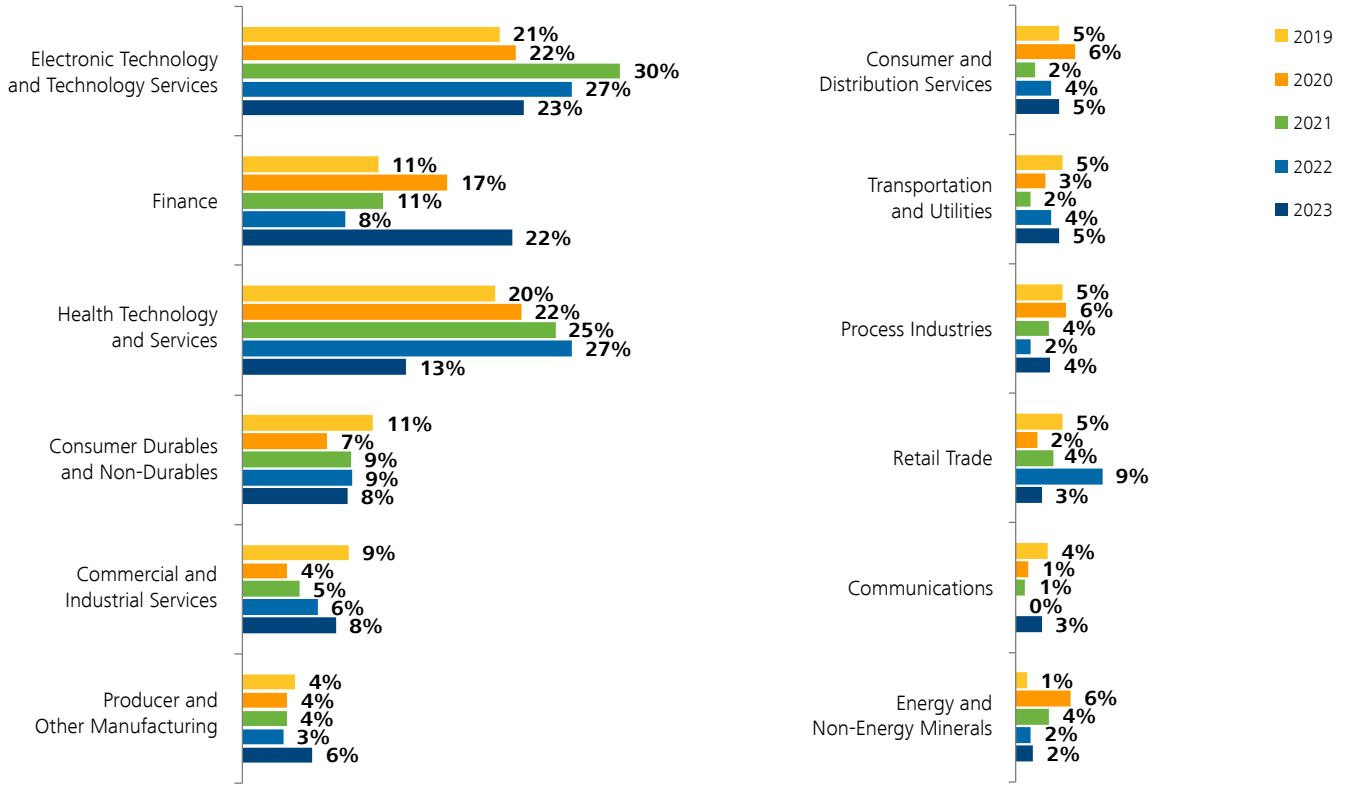


Figure 3. **Percentage of Federal Filings by Sector and Year**
 Excludes Merger Objections and Crypto Unregistered Securities
 January 2019–June 2023



Note: This analysis is based on the FactSet Research Systems, Inc. economic sector classification. Some of the FactSet economic sectors are combined for presentation.

Figure 4. **Federal Filings by Circuit and Year**
 Excludes Merger Objections and Crypto Unregistered Securities
 January 2019–June 2023

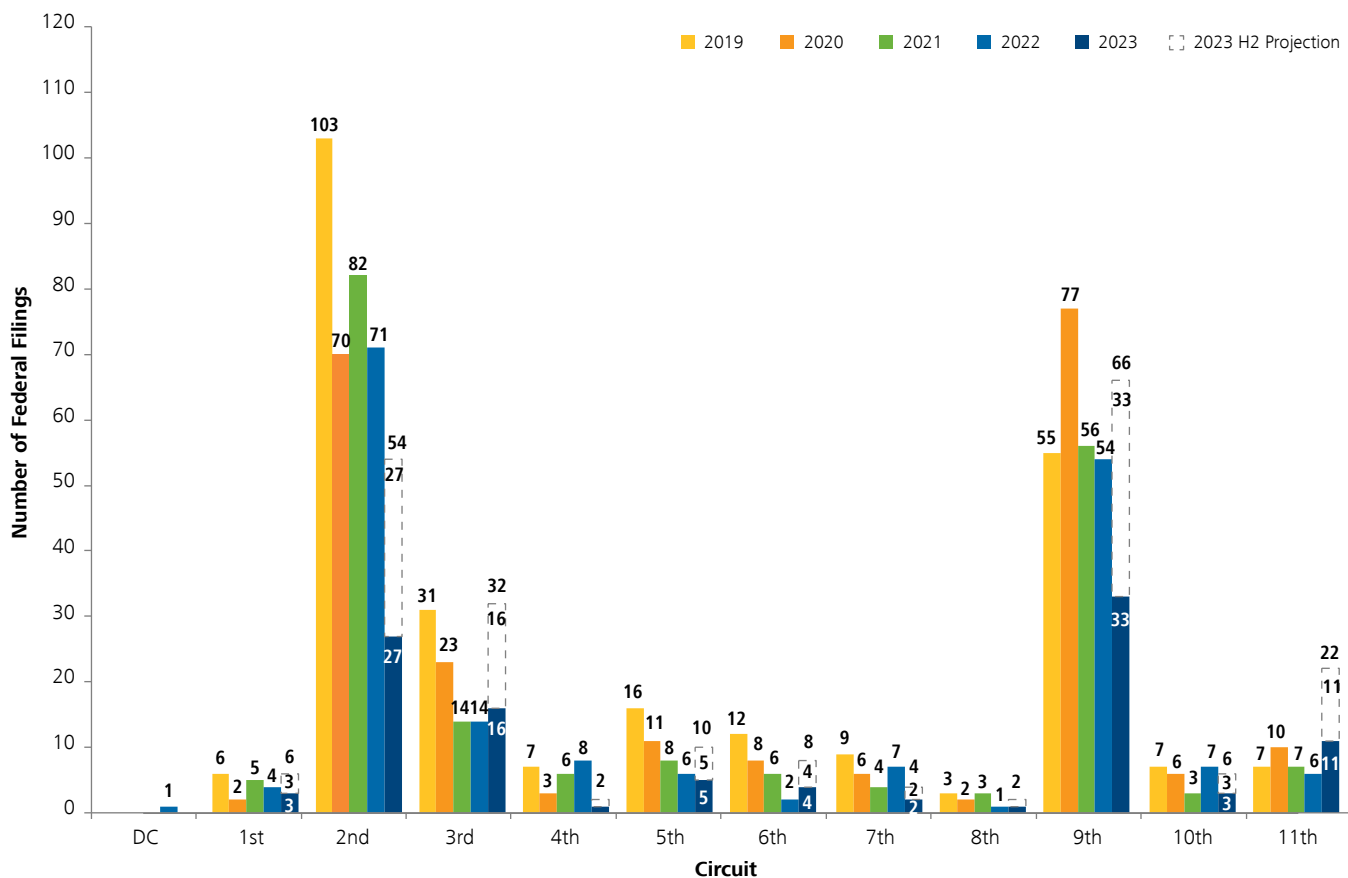


Figure 5. Allegations

Shareholder Class Actions with Alleged Violations of Rule 10b-5, Section 11, and/or Section 12
January 2019–June 2023

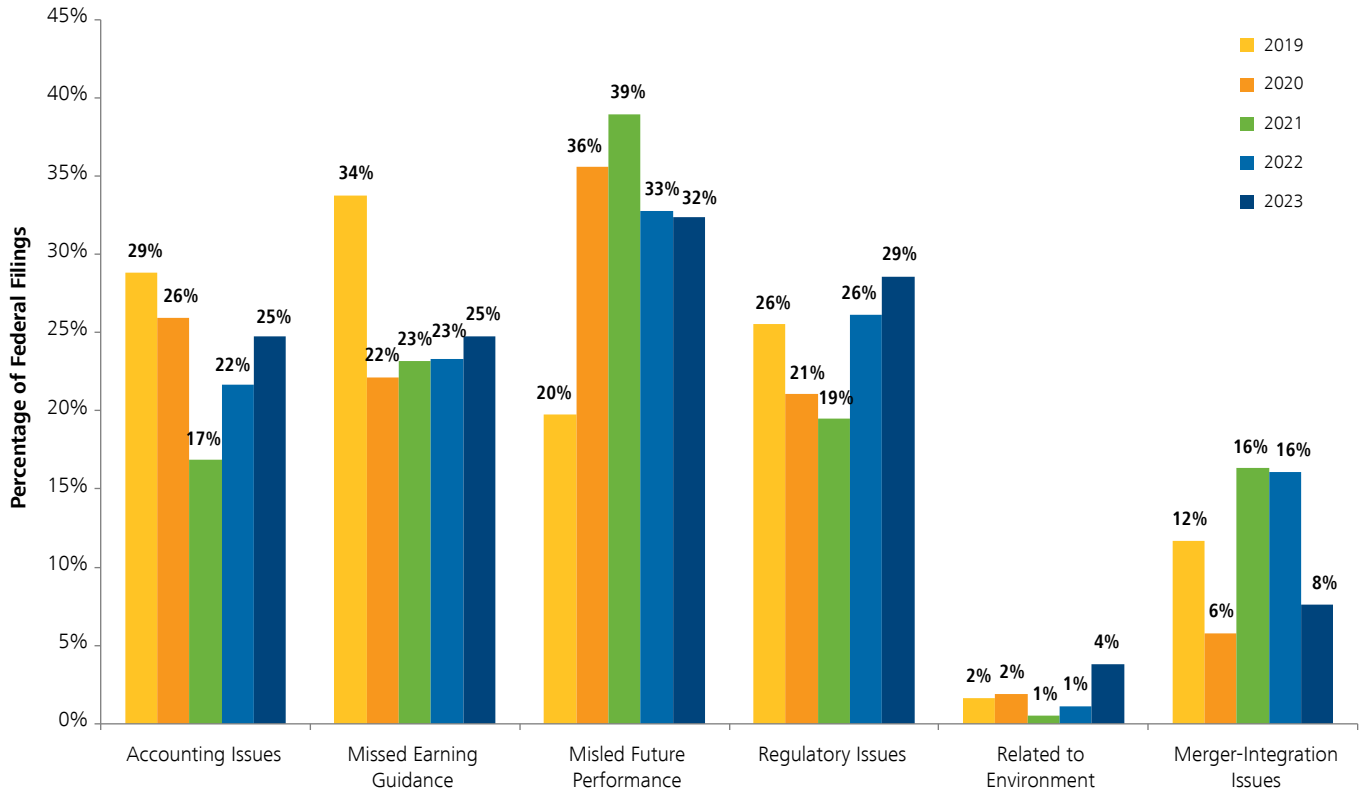


Figure 6. **Number of Resolved Cases: Dismissed or Settled**
January 2014–June 2023

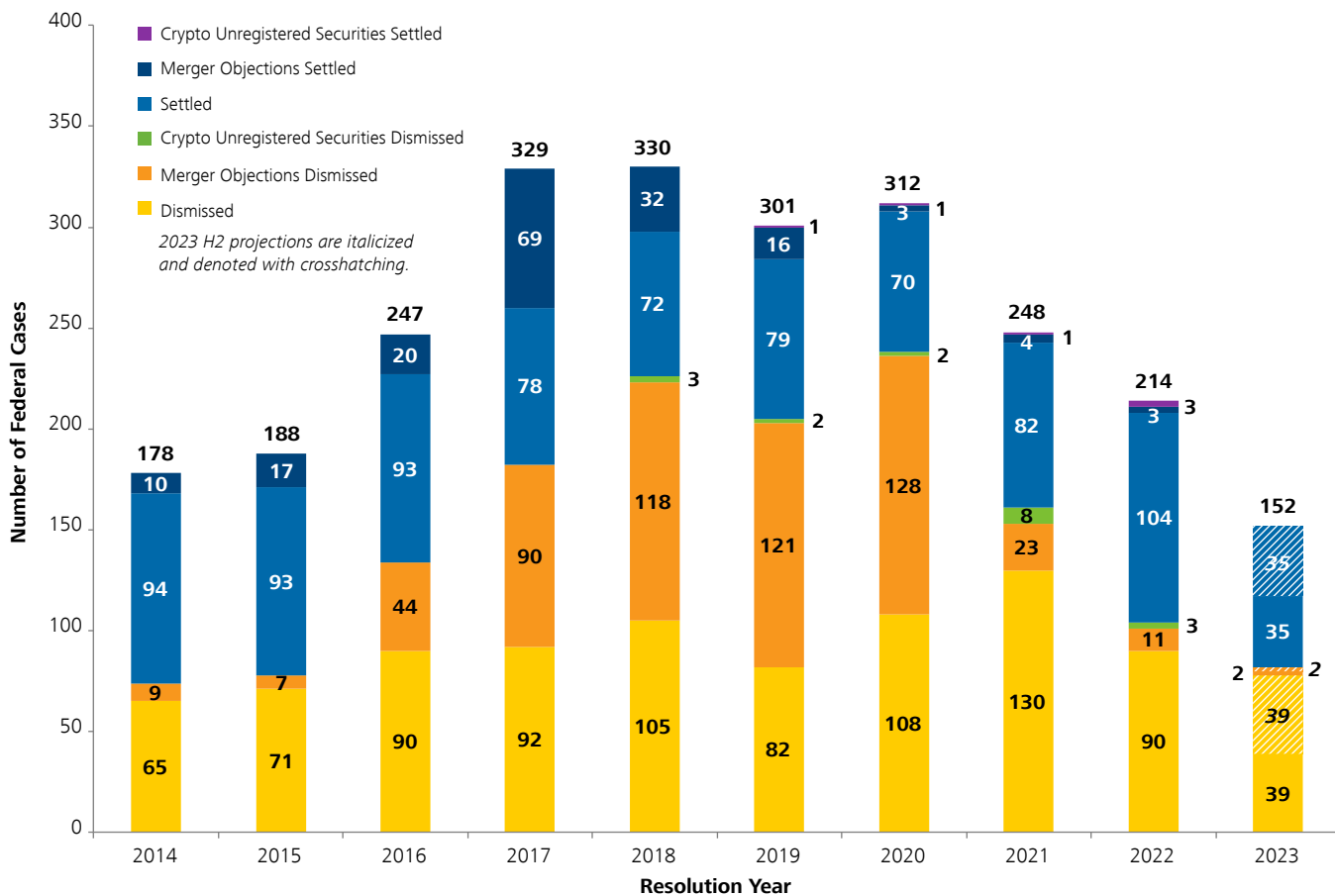


Figure 7. **Average Settlement Value**

Excludes Settlements over \$1 Billion, Merger Objections, Crypto Unregistered Securities, and Settlements for \$0 to the Class
January 2014–June 2023

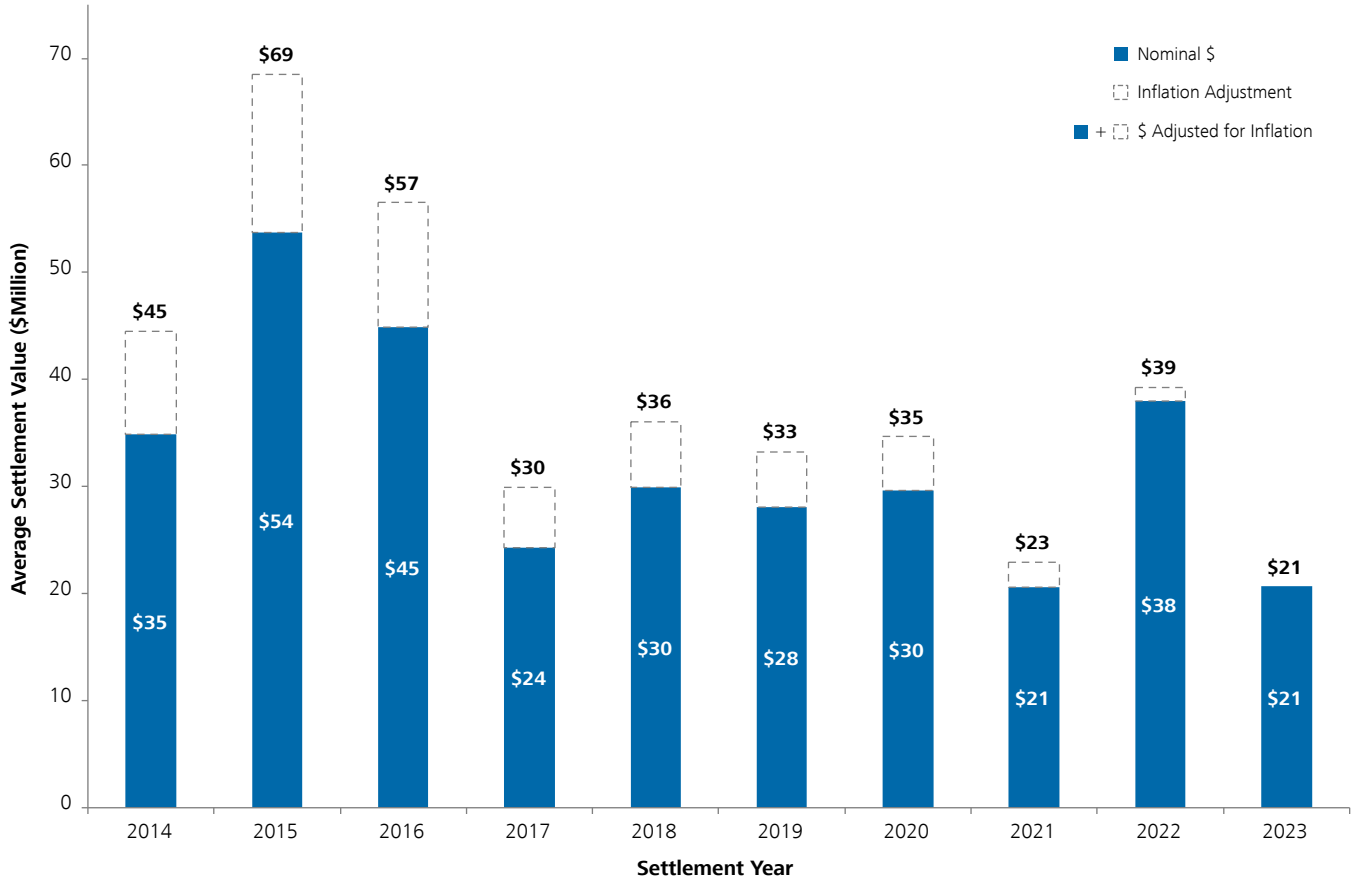


Figure 8. **Median Settlement Value**

Excludes Settlements over \$1 Billion, Merger Objections, Crypto Unregistered Securities, and Settlements for \$0 to the Class January 2014–June 2023

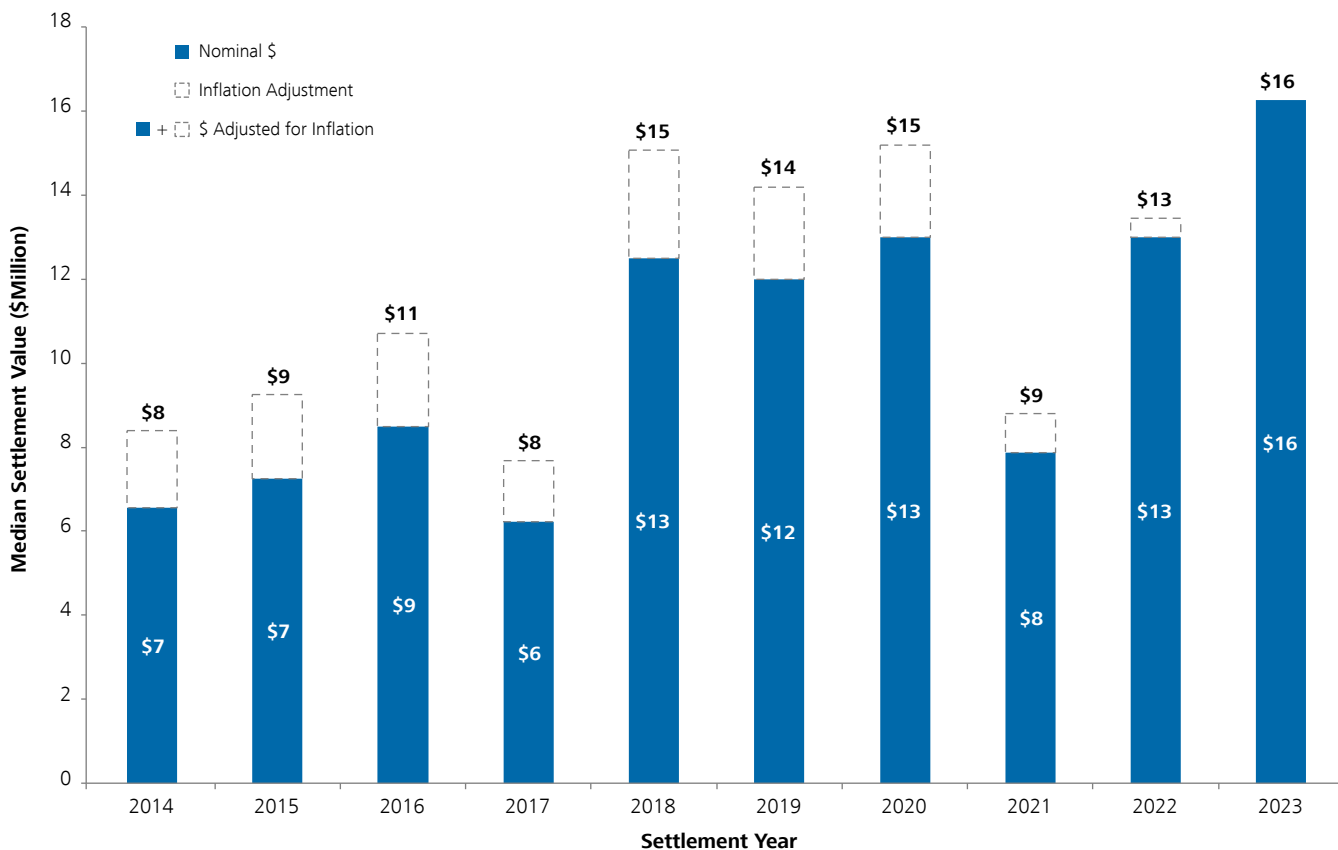
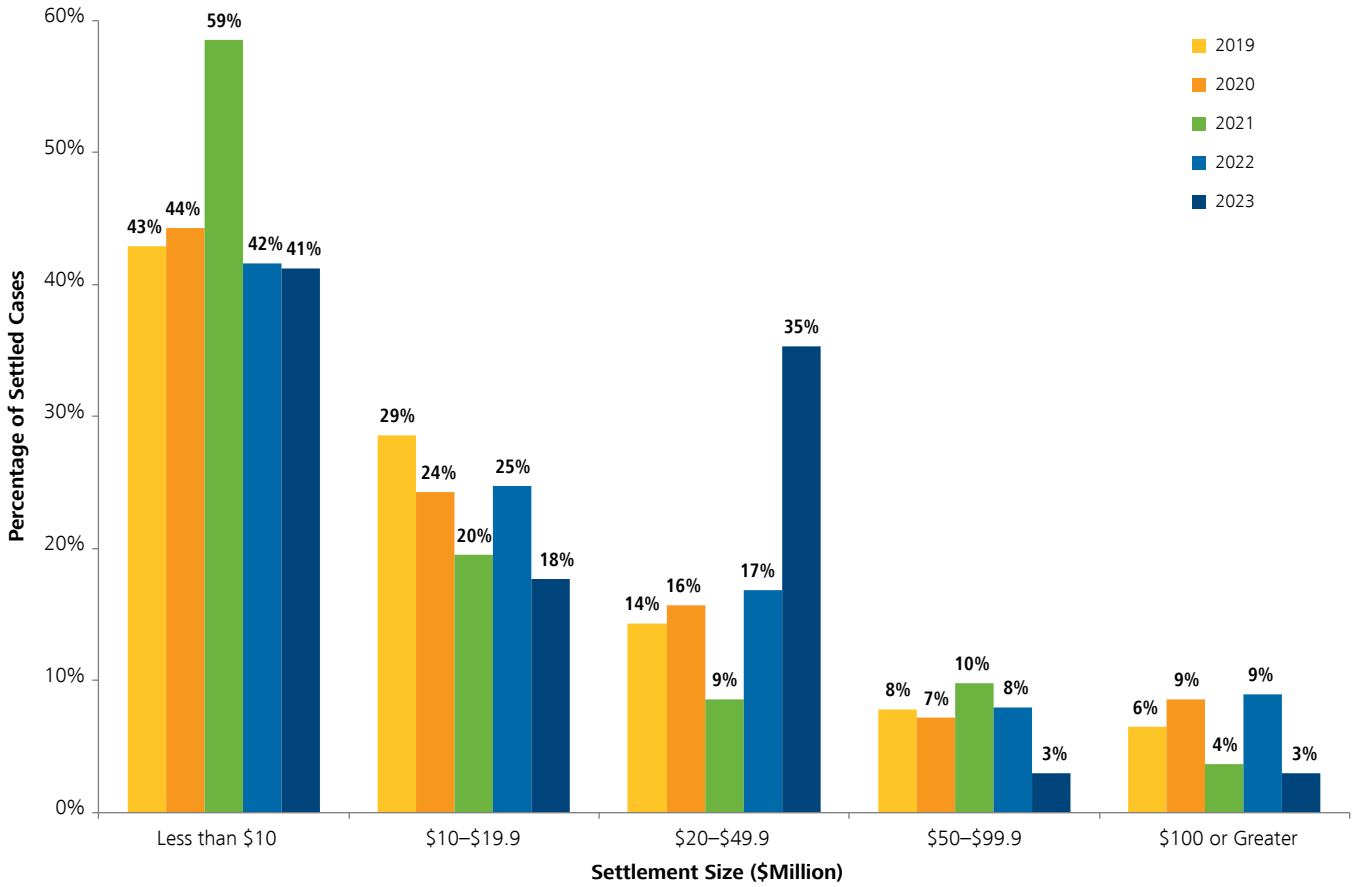


Figure 9. **Distribution of Settlement Values**

Excludes Merger Objections, Crypto Unregistered Securities, and Settlements for \$0 to the Class
January 2019–June 2023



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